

P 171732Z NOV 97
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC PRIORITY 3265
INFO SECDEF WASHDC
WHITE HOUSE WASHDC
DIA WASHDC
USIA WASHDC 4040
DOJ WASHDC
DOL WASHDC
AMCONSUL MONTERREY
CIA WASHDC
NSC WASHDC

C O N F I D E N T I A L SECTION 01 OF 05 MEXICO 011061

PASS TO HERMOSILLO
TIJUANA
MERIDA
MATAMOROS
GUADALAJARA
NUEVO LAREDO
CIUDAD JUAREZ

E.O. 12958: DECL: 11/17/2006
TAGS: PGOV ECON PINR KDEM MX
SUBJECT: PAN UNVEILS LEGISLATIVE, REFORM
AGENDAS

¶1. (U) CLASSIFIED BY MINISTER COUNSELOR FOR
POLITICAL AFFAIRS VAL MARTINEZ. REASON 1.5
(D)

¶2. (C) SUMMARY: ON NOVEMBER 7, 1997,
NATIONAL ACTION PARTY (PAN) PRESIDENT FELIPE
CALDERON UNVEILED THE PAN'S LEGISLATIVE
AGENDA FOR THE COMING YEAR, AS WELL AS ITS
PROPOSAL FOR REFORM OF THE STATE. THE PAN'S
AGENDA CLOSELY MIRRORS THE PARTY'S MORE THAN
FIFTY YEAR PURSUIT OF INCREASED FEDERALISM IN
MEXICO, DECENTRALIZATION OF GOVERNMENT
AUTHORITY, AND EMPOWERMENT OF STATE AND LOCAL
GOVERNMENT. AT THE SAME TIME, THE PROPOSAL
CONTAINS ELEMENTS INTENDED TO RAISE THE
PARTY'S PROFILE IN CONGRESS AND INCREASE ITS
ATTRACTION TO LOWER INCOME VOTERS, WHILE NOT
RUNNING COUNTER TO THE BUDGETARY AND REFORM
GOALS OF ITS MAJOR "ALLY" IN THE CHAMBER, THE
PARTY OF THE DEMOCRATIC REVOLUTION (PRD).
THE PAN GOAL OF REDUCING TAXES, PARTICULARLY
THE VALUE ADDED TAX FROM 15 TO 12 PERCENT, IS
NOT UNIVERSALLY ACCEPTED EVEN IN THE PAN AND
IS PROBABLY NEGOTIABLE. INTERESTINGLY
ENOUGH, NONE OF THE PAN'S 33 FEDERAL SENATORS
PARTICIPATED IN THE UNVEILING OF THE PARTY'S
AGENDA. A FORMER PAN CONGRESSMAN TOLD POLOFF
NOVEMBER 14 THAT COMMUNICATION AND
COORDINATION BETWEEN THE PARTY'S
REPRESENTATIVES IN BOTH HOUSES IS LACKING,
THAT THE PROBLEM EXISTS IN THE OTHER MAJOR
PARTIES AS WELL (THE INSTITUTIONAL
REVOLUTIONARY PARTY (PRI) AND THE PRD), AND
THAT SOME TYPE OF MECHANISM -- PERHAPS
CONFERENCE COMMITTEES-- MUST BE ESTABLISHED
BETWEEN THE TWO HOUSES TO ENSURE THAT THE
REFORM OF STATE EVENTUALLY PROSPERS. END
SUMMARY.

PAN: RAISING ITS PROFILE

¶3. (U) ON NOVEMBER 7, PAN PRESIDENT FELIPE
CALDERON AND PARTY LEADERS FROM THE CHAMBER
OF DEPUTIES UNVEILED TO REPORTERS AND
DIPLOMATS THE PAN'S LEGISLATIVE AND REFORM OF
STATE PROPOSALS FOR THE 57TH CONGRESS. PAN
COORDINATOR IN THE CHAMBER AND PRESIDENT OF
THE RULES COMMITTEE, CARLOS MEDINA, AND SUB-

COORDINATOR FOR SOCIAL POLICY, FRANCISCO JOSE PAOLI BOLIO, OUTLINED THE PARTY'S LEGISLATIVE AGENDA FOR THE COMING YEAR.

¶4. (U) THE PRESENTATION FOLLOWED A FLURRY OF ACTIVITY BY CALDERON IN RECENT WEEKS TO RAISE AND DISTINGUISH THE PAN'S PROFILE FROM ITS GOVERNING ALLY IN THE CHAMBER, THE PRD. CALDERON INITIALLY TRADED BARBS WITH THE PRD'S SHARP-TONGUED COORDINATOR IN THE CHAMBER, PORFIRIO MUÑOZ LEDO. HE THEN SOUNDED THE NEED FOR A BROAD CONSENSUS IN STATE REFORM TO ACHIEVE FULL DEMOCRACY AND SHARED COFFEE WITH PRD PRESIDENT -- AND MUÑOZ LEDO RIVAL-- ANDRES MANUEL LOPEZ OBRADOR. MOST RECENTLY, CALDERON MET WITH PRESIDENT ZEDILLO AT HIS LOS PINOS RESIDENCE, IN THE WAKE OF THE UNSETTLED DISPUTE BETWEEN THE OPPOSITION IN THE CHAMBER AND THE EXECUTIVE BRANCH OVER WHETHER ZEDILLO OR SECRETARY OF GOVERNMENT EMILIO CHAUYFFET SHOULD LEAD NEGOTIATIONS WITH CONGRESS OVER REFORM OF THE STATE.

¶5. (C) THE PAN BUDGETARY AND REFORM PROPOSALS APPARENTLY ATTEMPT TO ACHIEVE MULTIPLE OBJECTIVES. WHILE PAN DOGMAS OF GREATER FEDERALISM AND DECENTRALIZATION OF GOVERNMENT ARE HONORED, THE PARTY ALSO PROPOSES MEASURES TO INCREASE ITS POPULARITY WITH SECTORS THAT HAVE RARELY IDENTIFIED WITH THE PAN: LOWER INCOME MEXICANS AND INDIGENOUS PEOPLES. IN ADDITION, AND DESPITE CALDERON'S EFFORTS TO BURNISH THE PAN'S PROFILE, THE PROPOSAL APPEARS CAREFULLY TAILORED TO AVOID RUPTURING THE DELICATE COOPERATION ACHIEVED IN THE CHAMBER, NOT ONLY WITH THE PRD, BUT WITH THE LABOR PARTY (PT) AND ECOLOGICAL GREEN PARTY (PVEM) AS WELL. THE PAN PROPOSALS ARE SUMMARIZED BELOW.

PAN'S BUDGET PROPOSAL: GREATER FEDERALISM

¶6. (U) REGARDING TAXES, THE PAN PROPOSES TO:

-- REDUCE THE VALUE ADDED TAX (IVA) FROM 15 TO 12 PERCENT.

-- EXEMPT GAS, ELECTRIC ENERGY, AND TELEPHONE SERVICES FROM IVA FOR THOSE EARNING THE EQUIVALENT OF LESS THAN THREE MINIMUM SALARIES.

-- ELIMINATE THE BUSINESS ASSET TAX.

-- REDUCE THE TAX ON INCOME AND TO EXEMPT THOSE WHO EARN LESS THAN 4 MINIMUM SALARIES.

-- ALLOW DEDUCTIONS FOR EDUCATIONAL EXPENSES, AND FOR DONATIONS FOR RESEARCH AND TO CULTURAL INSTITUTIONS.

¶7. (U) ON THE BUDGET SIDE, THE PAN PROPOSES TO:

-- INCREASE FROM 20 TO 23 PERCENT FEDERAL TRANSFERS TO STATES AND MUNICIPALITIES.

-- DOUBLE THE RESOURCES ALLOCATED TO MUNICIPALITIES TO FIGHT POVERTY.

-- INCREASE EXPENDITURES IN EDUCATION AND HEALTH, WHILE SIMULTANEOUSLY CANCELING UNJUSTIFIED FEDERAL SPENDING.

-- DECREASE THE FEDERAL GOVERNMENT'S CURRENT EXPENDITURES (EXCLUDES CAPITAL EXPENDITURES)

SPENDING BY FIVE PERCENT IN REAL TERMS.

-- MAINTAIN A BALANCE BETWEEN INCOME (TAXES) AND BUDGETARY EXPENDITURES; THEREBY PREVENTING FURTHER PUBLIC INDEBTEDNESS AND REDUCING INFLATION.

-- INCREASE RESOURCES FOR EMERGENCIES AND DISASTERS THROUGH A NATIONAL SOLIDARITY FUND.

-- INCREASE FUNDS FOR PUBLIC SECURITY, BUT BY ALLOCATING THESE DIRECTLY TO STATES AND MUNICIPALITIES.

-- PROVIDE NECESSARY SUPPORT TO THE AGRICULTURAL AND PRIMARY SECTORS, INCLUDING RURAL LABORERS.

-- PURSUE PROGRAMS ESTABLISHED TO AUDIT CONASUPO, BANK AND TOLL ROAD RESCUE PROGRAMS, AND TO INCREASE INCOME FOR PENSIONERS AND RETIRED PERSONS.

-- PROVIDE GREATER PUBLIC INVESTMENT IN SCIENCE AND TECHNOLOGY.

-- STRENGTHEN INVESTMENT PROJECTS, PROVIDE OPPORTUNITIES FOR WORKERS TO INVEST IN THE OWNERSHIP OF BUSINESSES, AND ADDRESS THE BURDEN OF OVERDUE LOANS AND PRIVATE INDEBTEDNESS.

¶18. (U) DURING THE PRESENTATION MEDINA AND PAOLI BOLIO STRESSED THAT THE PAN'S SOCIAL AND ECONOMIC PROPOSALS ARE ROOTED IN OVER FIVE DECADES OF PROPOSALS BY THE PARTY IN CONGRESS.

THE PARTY'S STRATEGIC FOCUS

¶19. (U) CONGRESSIONAL DEPUTY JUAN MIGUEL ALCANTARA SORIA, DEPUTY COORDINATOR UNDER MEDINA FOR POLITICAL AND JURIDICAL ISSUES, OUTLINED THE PAN'S STRATEGIC FOCUS FOR THE 57TH LEGISLATURE.

PROMOTING PUBLIC PARTICIPATION IN DEMOCRACY

¶10. (U) THE PAN INTENDS TO IMPEL REFORM OF THE MEXICAN STATE BY:

-- DEMOCRATIZING THE PUBLIC'S RIGHT TO INFORMATION THROUGH NECESSARY INITIATIVES AND REFORMS.

-- PROMOTING PARTICIPATORY DEMOCRACY THROUGH A CONSTITUTIONAL REFORM ALLOWING REFERENDUMS, PLEBISCITES, AND POPULAR INITIATIVES.

-- BRINGING UP TO DATE LEGISLATION CONCERNING CONGRESS' RESPONSIBILITIES IN ORDER TO RESPOND MORE EFFICIENTLY TO THE GREATER POLITICAL PLURALISM IN MEXICO TODAY.

-- CONSOLIDATING JUDICIAL REFORM, TO INCLUDE INCORPORATING ADMINISTRATIVE TRIBUNALS IN THE JUDICIARY.

EMPOWERING THE MUNICIPALITIES

¶11. THE PAN WILL WORK FOR TRUE FEDERALISM IN MEXICO BY:

-- MAKING OPERATIONAL THE "FREE MUNICIPALITY" THROUGH REFORM OF ARTICLES 115, 116, AND 124

OF THE CONSTITUTION.

-- STRENGTHENING THE ABILITY OF MUNICIPALITIES TO COMBAT POVERTY BY GIVING THEM FULL CONTROL OVER THE FUNDS PROVIDED IN SECTION 26 OF THE FEDERAL BUDGET.

-- ACHIEVING A JUST DISTRIBUTION OF FISCAL RESOURCES PROVIDED BY THE FEDERAL GOVERNMENT BY MODIFYING THE BUDGET AND THE LAW OF FISCAL COORDINATION.

-- PROVIDING AUTHORITIES TO THE LEGISLATIVE ASSEMBLY OF THE FEDERAL DISTRICT (DF) TO EXPEDITE THE GOVERNING STATUTE OF THE DF, THE GOAL OF WHICH IS TO GIVE THE DF JURIDICAL, POLITICAL AND ADMINISTRATIVE AUTONOMY.

"HUMANIZING" PUBLIC POLICY

¶12. (U) THE PAN WILL ACHIEVE A HUMANISTIC PUBLIC POLICY IN TERM OF TAXATION AND PUBLIC EXPENDITURES BY:

-- CARRYING OUT AN INTEGRAL FISCAL REFORM THAT FOSTERS PRODUCTIVITY, SAVINGS, INVESTMENT, ECONOMIC GROWTH, DEREGULATION, AND PURCHASING POWER OF MEXICAN CITIZENS.

-- SUBSTANTIALLY INCREASING THE EDUCATION BUDGET, WITH THE GOAL OF MEETING EDUCATIONAL DEMAND AND OPTIMIZING ITS QUALITY, WHILE AT THE SAME TIME DECENTRALIZING EDUCATIONAL PLANS AND PROGRAMS;

-- COMBATING CORRUPTION AND IMPUNITY BY STRENGTHENING THE CHIEF ACCOUNTING OFFICE THE TREASURY.

SOCIAL PROGRESS ALSO A PRIORITY

¶13. (U) THE PAN WANTS TO ACHIEVE AN INCLUSIVE, ORDERED, AND DIGNIFIED SOCIAL DEVELOPMENT BY:

-- PROMOTING THE PAN INITIATIVE TO PROMULGATE A NEW FEDERAL LABOR LAW THAT REEVALUATES AND ENRICHES SALARIES; IMPROVES WORKING CONDITIONS FOR WOMEN; ESTABLISHES SOCIAL JUDGES WITH JUDICIAL AUTHORITY; MAKES POSSIBLE JOINT-EMPLOYEE OWNERSHIP OF BUSINESSES, BEGINNING WITH 2.5 PERCENT OF A PARTICULAR ENTERPRISE; IN ADDITION, THE JURIDICAL STRUCTURE OF THE NATIONAL COMMISSION OF MINIMUM SALARIES MUST BE REVISED.

-- ADDRESSING IN A COMPASSIONATE AND EFFICIENT FASHION RURAL PROBLEMS, KEEPING IN MIND THESE INVOLVE ISSUES OF HUMAN DIGNITY.

-- ADDRESSING PROBLEMS OF INDIGENOUS PEOPLES AND COMMUNITIES, WITH THE GOAL OF PRESERVING THEIR IDENTITY, CULTURE, AND RIGHTS THROUGH NECESSARY CONSTITUTIONAL REFORMS AND LEGAL MEASURES.

-- ESTABLISHING A NEW POLICY OF PUBLIC SECURITY THAT PROMOTES CITIZEN PARTICIPATION AND EDUCATION TO FIGHT CRIME; TIMELY ATTENTION SHOULD BE GUARANTEED TO CRIME VICTIMS, AS WELL AS EFFICIENT PROSECUTION AND SOCIAL REHABILITATION OF CRIMINALS.

-- DETAINING THE CONSTANT INCREASE IN FUEL PRICES THROUGH APPROPRIATE LEGISLATION.

-- CREATING THE JURIDICAL BASES NECESSARY TO END PRIVATE OVER-INDEBTEDNESS, WITH A TRANSPARENT DISTRIBUTION OF THE COSTS BETWEEN DEBTORS, INVESTORS, BANKS AND THE GOVERNMENT.

¶14. (C) COMMENT: OBVIOUSLY THE PAN'S BLUE PRINT FOR REFORM IS SUBJECT TO DEBATE AND COMPROMISE, BOTH INSIDE AND OUT OF THE PARTY. GUANAJUATO GOVERNOR VICENTE FOX, A SELF-PROCLAIMED CANDIDATE FOR THE PARTY'S PRESIDENTIAL NOMINATION IN 2000, DISAGREES WITH THE PARTY'S POSITION TO CUT TAXES. PAN SENATOR JUAN ANTONIO GARCIA VILLA TOLD MEXICO CITY DAILY "REFORMA" ON NOVEMBER 13 THAT REDUCING THE IVA TO 12 PERCENT IS NEGOTIABLE, WHILE THE PARTY'S PROPOSAL TO PROVIDE GREATER RESOURCES TO MUNICIPALITIES IS NOT. POLOFF DISCUSSED THE PAN'S AGENDA WITH ALEJANDRO DIAZ, FORMER PAN DEPUTY AND CURRENTLY TECHNICAL SECRETARY TO THE CHAMBER'S INTERNATIONAL ISSUES COMMITTEE, CHAIRED BY PAN DEPUTY JULIO FAESLER. DIAZ CONFIRMED THAT THE PROPOSAL IS ROOTED IN THE PAN'S HALF CENTURY LONG STRUGGLE TO EXTEND FEDERALISM IN MEXICO, END THE CENTRALIST STATE, AND CONVEY THE RESOURCES NECESSARY TO STATES AND MUNICIPALITIES TO MEET THE NEEDS OF THEIR CONSTITUENTS. DIAZ NOTED THAT DIFFERENCES EXIST BETWEEN THE REFORM AGENDAS OF THE PAN AND THE PRD, BUT THAT THESE ARE "NUANCES" AND ARE NOT INSURMOUNTABLE. BOTH, FOR EXAMPLE, PROPOSE DOUBLING RESOURCES FOR COMBATING POVERTY AND INCREASING SPENDING ON EDUCATION AND HEALTH.

¶15. (C) POLOFF NOTED TO DIAZ THAT NONE OF THE PAN'S 33 SENATORS PARTICIPATED IN THE PRESENTATION OF THE PARTY'S PROPOSAL. DIAZ INDICATED THAT LACK OF COMMUNICATION AND COORDINATION BETWEEN PARTY REPRESENTATIVES IN THE CHAMBER AND THE SENATE IS A PROBLEM, ONE THAT EXISTS FOR THE OTHER MAJOR PARTIES AS WELL (THE PRD AND PRI). THIS IS AN ISSUE THAT MUST BE ADDRESSED THROUGH THE CREATION OF A MECHANISM LIKE CONFERENCE COMMITTEES, ESPECIALLY NOW THAT THE TWO HOUSES OF CONGRESS ARE CONTROLLED BY DIFFERENT PARTIES OR COALITIONS, THE PRI IN THE SENATE, AND THE PRD, PAN, PT, AND PVEM IN THE CHAMBER. DIAZ ADDED THAT LITTLE, IF ANY, PROGRESS WOULD BE MADE ON REFORM OF THE STATE MATTERS BETWEEN NOW AND YEAR'S END, WITH CONGRESS' FOCUS CLEARLY RESTING ON DEBATING AND APPROVING THE BUDGET. END COMMENT.

BRAYSHAW